

Pro Forma



- From Latin meaning "according to form."
- A pro forma statement is a financial statement projecting anticipated income, expenses and cash flow for some specified future period.
- The pro forma is about balancing projected economics of the project to a favorable build
- You will attempt to balance the brownfield build against the greenfield project



A typical Brownfield ...





- 1. Markets and industries change, the site closes.
- 2. The community economic engine drives reuse for redevelopment.
- 3. Assessment identifies environmental issues that complicate the deal.
- 4. The site just became a Brownfield.

Decline, abandonment, rebirth.



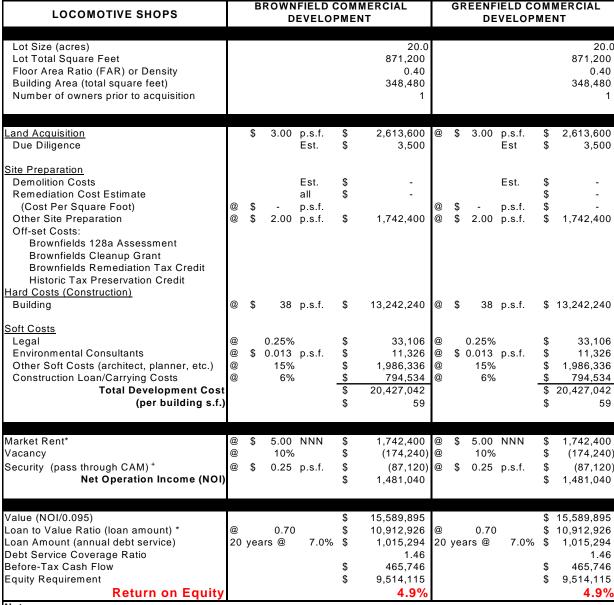
- 1. Markets and industries change, the site closes.
- 2. The community economic engine drives reuse for redevelopment.
- 3. Assessment identifies environmental issues that complicate the deal.
- The site just became a Brownfield.
- 5. Economic development funds demolition as environmental cleanup is evaluated.

The Financial Equation



- Each Team will develop a financial strategy for their respective Project
- Assessing external factors to determine viable alternatives
 - Political realities
 - Economic opportunities of the community
 - Leadership of the project
 - Pulling in all of the pieces government (federal, state and local), private sector, non-profit sector
- Test the strategy; determine which parts of the equation are variable, which cannot be changed.

Equal... but not.





⁺ CAM = common area maintenance charge - costs included in CAM will be passed through to tenants



p.s.f. = per square foot

^{*} NNN = triple net, i.e., tenant pays taxes, insurance and utilities

Some Variables For Adjustment

But be realistic to your community



- Cost of land acquisition
- Cost of remediation
- Site preparation
- Building costs
- Environmental costs
- Developer's Fee
- Loan interest rate
- Length of mortgage/loan
- Building costs

Programs

- EPA Grant Program
- BEDI/108 loan
- EDI/108 loan
- State low-interest loans
- City low-interest loans
- EDA grant
- Tax credits

Positive Effects Depreciated Land Value

60% Discount Valuation Scenario

Unrealistic?

- Newburg, MO
- Atchison, KS
- Albuquerque, NM



LOCOMOTIVE SHOPS		В	-	FIELD (EVELOI	_	MERCIAL NT		GF		IELD CO VELOPI		MERCIAL NT
Lot Size (acres) Lot Total Square Feet Floor Area Ratio (FAR) or Density Building Area (total square feet) Number of owners prior to acquisition						20.0 871,200 0.40 348,480 1						20.0 871,200 0.40 348,480 1
Land Acquisition		\$	1.20	p.s.f.	\$	1,045,440	@	\$	3.00	p.s.f.	\$	2,613,600
Due Diligence				Est.	\$	3,500				Est	\$	3,500
Site Preparation												
Demolition Costs				Est.	\$	-				Est.	\$	-
Remediation Cost Estimate		_		all ,	\$	-		_			\$	-
(Cost Per Square Foot)	@	\$ \$	-	p.s.f.	•	4 740 400	@	\$ \$	-	p.s.f.	\$	-
Other Site Preparation Off-set Costs:	w	Ф	2.00	p.s.f.	\$	1,742,400	w	Ф	2.00	p.s.f.	\$	1,742,400
Construction / Remedy Overlap			0%		\$	_						
Brownfields 128a Assessment					*							
Brownfields Cleanup Grant												
Brownfields Remediation Tax Credit												
Historic Tax Preservation Credit												
Hard Costs (Construction) Building	@	\$	20	n o f	\$	12 242 240	@	\$	20	n o f	Φ	12 242 240
Building	w	Ф	38	p.s.f.	Ф	13,242,240	w	Ф	38	p.s.f.	Ф	13,242,240
Soft Costs												
Legal	@		0.25%		\$	33,106	@		0.25%		\$	33,106
Environmental Consultants	@	\$	0.013	p.s.f.	\$	11,326		\$	0.013		\$	11,326
Other Soft Costs (architect, planner, etc.)	@		10%		\$	1,324,224	@		10%		\$	1,324,224
Construction Loan/Carrying Costs	@		6%		<u>\$</u> \$	794,534	@		6%		\$	794,534
Total Development Cost (per building s.f.)					\$ \$	18,196,770 52					\$ \$	19,764,930 57
(per building s.i.)					Ψ	52					Ψ	37
Maylest Dant*	@	\$	F 00	NNN	¢.	4 740 400	@	\$	F 00	NININI	ı.	4 740 400
Market Rent* Vacancy	@	Ф	10%	INININ	\$ \$	1,742,400 (174,240)	@	Ф	10%	NNN	\$ \$	1,742,400 (174,240)
Security (pass through CAM) ⁺	@	\$		n o f	э \$	(87,120)		\$			\$	(87,120)
Net Operation Income (NOI)	_	Ф	0.25	p.s.f.	φ \$	1,481,040	w	Ф	0.25	p.s.i.	\$	1,481,040
not operation meems (itel)					Ψ	1,401,040					Ψ	1,401,040
Value (NOI/0.095)					\$	15,589,895					Ф	15,589,895
Loan to Value Ratio (loan amount) *	@		0.70		Ф \$	10,912,926	@		0.70			10,912,926
Loan Amount (annual debt service)	_	vea	ars @	7.0%	*	1.015.294		ve	ars @	7.0%		1.015.294
Debt Service Coverage Ratio		,		, 0	7	1.46	ľ	, -		, 0	*	1.46
Before-Tax Cash Flow					\$	465,746					\$	465,746
Equity Requirement					\$	7,283,843					\$	8,852,003
Return on Equity						6.4%	L					5.3%
Notes:												

⁺ CAM = common area maintenance charge - costs included in CAM will be passed through to tenants

p.s.f. = per square foot

^{*} NNN = triple net, i.e., tenant pays taxes, insurance and utilities

Positive Effect of Depreciated Land Value

30% **Discount** Valuation Scenario



LOCOMOTIVE SHOPS		В		FIELD (EVELOI		MERCIAL NT		GR		IELD CO VELOPI		MERCIAL NT
Lot Size (acres) Lot Total Square Feet Floor Area Ratio (FAR) or Density Building Area (total square feet) Number of owners prior to acquisition						20.0 871,200 0.40 348,480 1						20.0 871,200 0.40 348,480 1
Land Acquisition Due Diligence		\$	2.10	p.s.f. Est.	\$ \$	1,829,520 3,500	@	\$	3.00	p.s.f. Est	\$ \$	2,613,600 3,500
Site Preparation Demolition Costs Remediation Cost Estimate (Cost Per Square Foot) Other Site Preparation Off-set Costs: Construction / Remedy Overlap Brownfields 128a Assessment Brownfields Cleanup Grant Brownfields Remediation Tax Credit Historic Tax Preservation Credit Hard Costs (Construction)	@ @	\$ \$	- 2.00 0%	Est. all p.s.f. p.s.f.	\$ \$ \$ \$	- - 1,742,400 -	@ @	\$ \$	2.00	Est. p.s.f. p.s.f.	\$ \$ \$ \$	- - - 1,742,400
Building	@	\$	38	p.s.f.	\$	13,242,240	@	\$	38	p.s.f.	\$	13,242,240
Soft Costs Legal Environmental Consultants Other Soft Costs (architect, planner, etc.) Construction Loan/Carrying Costs Total Development Cost (per building s.f.)		\$	0.25% 0.013 10% 6%	p.s.f.	\$ \$ \$ \$	33,106 11,326 1,324,224 794,534 18,980,850 54	@		0.25% 0.013 10% 6%		\$ \$ \$ \$ \$ \$	33,106 11,326 1,324,224 794,534 19,764,930 57
Market Rent* Vacancy Security (pass through CAM)* Net Operation Income (NOI)	@ @ @	\$	10%	NNN p.s.f.	\$ \$ \$ \$	1,742,400 (174,240) (87,120) 1,481,040		\$	10%	NNN p.s.f.	\$ \$ \$ \$ \$	1,742,400 (174,240) (87,120) 1,481,040
Value (NOI/0.095) Loan to Value Ratio (loan amount) * Loan Amount (annual debt service) Debt Service Coverage Ratio Before-Tax Cash Flow Equity Requirement Return on Equity Notes:		yea	0.70 ars @	7.0%	\$ \$ \$ \$ \$ \$	15,589,895 10,912,926 1,015,294 1.46 465,746 8,067,923 5.8%	@ 20	yea	0.70 ars @	7.0%	\$	15,589,895 10,912,926 1,015,294 1.46 465,746 8,852,003 5.3%

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Value of Land Discount Is Eroded by Negative Effect of Added "Brown" Costs.



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LOCOMOTIVE SHOPS		В				MERCIAL		Gŀ				MERCIAL
200001112 01101 0	L		D	EVELO	PME	NT			DE	VELOP	ИEI	NT
						200						
Lot Size (acres)						20.0						20.0
Lot Total Square Feet	İ					871,200						871,200
Floor Area Ratio (FAR) or Density	1					0.40						0.40
Building Area (total square feet)	•					348,480						348,480
Number of owners prior to acquisition						1						1
In the American State of		•	2.40		•	4 000 500	(3)	Φ.	2.00	4	•	2 242 200
Land Acquisition	•	\$	2.10	p.s.f.	\$	1,829,520	@	\$	3.00	p.s.f.	\$	2,613,600
Due Diligence				Est.	\$	3,500				Est	\$	3,500
Site Preparation												
Demolition Costs	İ			Est.	\$	500,000				Est.	\$	_
Remediation Cost Estimate	•			all	\$	-					\$	_
(Cost Per Square Foot)	@	\$	-	p.s.f.	Ψ		@	\$	_	p.s.f.	\$	_
Other Site Preparation	@	\$	2.00	p.s.r. p.s.f.	\$	1 712 100	@	Ф \$	2.00	p.s.r. p.s.f.	\$	1 742 400
Other Site Preparation Off-set Costs:	w	Ф	2.00	p.s.i.	Ф	1,742,400	w	Ф	2.00	p.s.i.	Ф	1,742,400
	İ		0%		\$							
Construction / Remedy Overlap	•		U70		Ф	-						
Brownfields 128a Assessment	İ											
Brownfields Cleanup Grant												
Brownfields Remediation Tax Credit												
Historic Tax Preservation Credit												
Hard Costs (Construction)				_			Ļ	_		_		
Building	@	\$	38	p.s.f.	\$	13,242,240	@	\$	38	p.s.f.	\$	13,242,240
Soft Costs												
Legal	@		0.35%		\$	46.348	@		0.25%		\$	33.106
Environmental Consultants	@	\$	0.050	nsf	\$	43,560	@		0.013		\$	11,326
Other Soft Costs (architect, planner, etc.)	@	Ψ	10%	p.s	\$	1,324,224	@	Ψ	10%	•	\$	1,324,224
Construction Loan/Carrying Costs	@		6%		\$	794,534	@		6%		\$	794,534
Total Development Cost	_		0 /0		\$	19,526,326	w		0 /0		\$	19,764,930
(per building s.f.)					Ф \$	19,526,326					\$	19,764,930
(per bunding s.r.)					Φ	30					Φ	51
Market Rent*	@	\$	5.00	NNN	\$	1,742,400	@	\$	5.00	NNN	\$	1,742,400
Vacancy	@		10%		\$	(174,240)	@		10%		\$	(174,240)
Security (pass through CAM) +	@	\$		p.s.f.	\$	(87,120)	@	\$		p.s.f.	\$	(87,120)
Net Operation Income (NOI)	_	Ψ	0.20	μ.σ.ι.	\$	1,481,040	۳	Ψ	0.20	μ.σ.ι.	\$	1,481,040
not operation meeting (itel)					Ψ	1,701,070					Ψ	1,701,040
Value (NOI/0.095)					\$	15,589,895					\$	15,589,895
Loan to Value Ratio (loan amount) *	@		0.70		\$	10,912,926	@		0.70		\$	10,912,926
Loan Amount (annual debt service)	20	yea	ars @	7.0%	\$	1,015,294	20	yea	ars @	7.0%	\$	1,015,294
Debt Service Coverage Ratio	1	•				1.46		•				1.46
Before-Tax Cash Flow	İ				\$	465,746					\$	465,746
Equity Requirement	•				\$	8,613,400					\$	8,852,003
Return on Equity	•				•	5.4%					•	5.3%
Notes:	Ь					O1-770	<u> </u>					0.0 70
INOIES.												

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Negative Effect of Cost of Cleanup



LOCOMOTIVE SHOPS		В		FIELD (MERCIAL		GF		IELD CO		MERCIAL
			ט	EVELO		IN I			DE	VELOF	VI C	NI
Lot Size (acres) Lot Total Square Feet Floor Area Ratio (FAR) or Density Building Area (total square feet) Number of owners prior to acquisition						20.0 871,200 0.40 348,480 1						20.0 871,200 0.40 348,480 1
Land Acquisition Due Diligence		\$	2.10	p.s.f. Est.	\$ \$	1,829,520 3,500	@	\$	3.00	p.s.f. Est	\$ \$	2,613,600 3,500
Site Preparation												
Demolition Costs Remediation Cost Estimate				Est.	\$ \$	500,000 900,000				Est.	\$ \$	-
(Cost Per Square Foot)	@	\$	1.03	p.s.f.	Ψ	300,000	@	\$	-	p.s.f.	\$	-
Other Site Preparation Off-set Costs:	@	\$	2.00	p.s.f.	\$	1,742,400	@	\$	2.00	p.s.f.	\$	1,742,400
Construction / Remedy Overlap Brownfields 128a Assessment Brownfields Cleanup Grant Brownfields Remediation Tax Credit Historic Tax Preservation Credit			0%		\$	-						
Hard Costs (Construction) Building	@	\$	38	p.s.f.	\$	13,242,240	@	\$	38	p.s.f.	\$	13,242,240
Soft Costs Legal Environmental Consultants Other Soft Costs (architect, planner, etc.) Construction Loan/Carrying Costs Total Development Cost (per building s.f.)		\$	0.55% 0.050 10% 6%		\$ \$ \$ \$ \$	72,832 43,560 1,324,224 794,534 20,452,811 59	0000		0.25% 0.013 10% 6%	p.s.f.	\$ \$ \$ \$	33,106 11,326 1,324,224 794,534 19,764,930 57
Market Rent*	@	\$		NNN	\$	1,742,400	@	\$		NNN	\$	1,742,400
Vacancy	@		10%		\$	(174,240)			10%		\$	(174,240)
Security (pass through CAM) ⁺ Net Operation Income (NOI)	@	\$	0.25	p.s.f.	\$ \$	(87,120) 1,481,040	@	\$	0.25	p.s.f.	\$ \$	(87,120) 1,481,040
	5						١,					
Value (NOI/0.095)					\$	15,589,895					\$	15,589,895
Loan to Value Ratio (loan amount) *	@		0.70		\$	10,912,926	@		0.70			10,912,926
Loan Amount (annual debt service)	20	yea	ırs @	7.0%	\$	1,015,294	20	yea	ars @	7.0%	\$	1,015,294
Debt Service Coverage Ratio					Φ.	1.46					_	1.46
Before-Tax Cash Flow					\$ \$	465,746					\$ \$	465,746
Equity Requirement Return on Equity					3	9,539,884 4.9%)			Ф	8,852,003 5.3%
Notes:				ad in CA		ill be people th						

p.s.f. = per square foot

* NNN = triple net, i.e., tenant pays taxes, insurance and utilities

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Positive Effect of Cleanup And Construction **Overlaps**

As site clearing & stripping, demolition, trucking, excavating equipment, mobilization, signage, site security, utilities, worker sanitation, etc.



LOCOMOTIVE SHOPS		В		FIELD (EVELOF		MERCIAL NT		GF		IELD CC		MERCIAL NT
Lot Size (acres) Lot Total Square Feet Floor Area Ratio (FAR) or Density Building Area (total square feet) Number of owners prior to acquisition						20.0 871,200 0.40 348,480 1						20.0 871,200 0.40 348,480 1
Land Acquisition Due Diligence		\$	2.10	p.s.f. Est.	\$ \$	1, <mark>829,520</mark> 3,500	@	\$	3.00	p.s.f. Est	\$	2,613,600 3,500
Site Preparation Demolition Costs Remediation Cost Estimate (Cost Per Square Foot) Other Site Preparation Off-set Costs: Construction / Remedy Overlap	@ @	\$		Est. all p.s.f. p.s.f.	\$ \$ \$	500,000 900,000 1,742,400 (348,480)	@ @	\$	- 2.00	Est. p.s.f. p.s.f.	\$ \$ \$	- - - 1,742,400
Brownfields 128a Assessment Brownfields Cleanup Grant Brownfields Remediation Tax Credit Historic Tax Preservation Credit Hard Costs (Construction) Building	@	\$	38	p.s.f.	\$	13,242,240	@	\$	38	p.s.f.	\$	13,242,240
Soft Costs Legal Environmental Consultants Other Soft Costs (architect, planner, etc.) Construction Loan/Carrying Costs Total Development Cost (per building s.f.)		\$	0.55% 0.050 10% 6%	p.s.f.	\$ \$ \$ \$ \$ \$	72,832 43,560 1,324,224 794,534 20,104,331 58	0000	\$	0.25% 0.013 10% 6%		\$ \$ \$ \$	33,106 11,326 1,324,224 794,534 19,764,930 57
Market Rent* Vacancy Security (pass through CAM) [†] Net Operation Income (NOI)	0 0 0	\$	10%	NNN p.s.f.	\$ \$ \$ \$	1,742,400 (174,240) (87,120) 1,481,040	@ @ @	\$	10%	NNN p.s.f.	\$ \$ \$	1,742,400 (174,240) (87,120) 1,481,040
Value (NOI/0.095) Loan to Value Ratio (loan amount) * Loan Amount (annual debt service) Debt Service Coverage Ratio Before-Tax Cash Flow Equity Requirement Return on Equity	@ 20	yea	0.70 ars @	7.0%	\$ \$ \$ \$ \$ \$ \$	15,589,895 10,912,926 1,015,294 1.46 405,740 9,191,404 5.1%	@ 20	yea	0.70 ars @	7.0%	\$	15,589,895 10,912,926 1,015,294 1.46 465,746 8,852,003 5.3%
Notes:												

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Positive Effect of Special Brownfield Program Off-sets

Although these often do not go directly to the developer, the net effect of removing cost from the project has been shown in the *proforma*.

	Ī	В	ROWN	FIELD (СОМ	MERCIAL	I	GI	REENF	IELD CO	MI	MERCIAL
LOCOMOTIVE SHOPS			D	EVELO	PME	NT			DE	VELOP	ИΕ	NT
Lot Size (acres)						20.0						20.0
Lot Total Square Feet						871,200						871,200
Floor Area Ratio (FAR) or Density						0.40						0.40
Building Area (total square feet)						348,480						348,480
Number of owners prior to acquisition						1						1
Land Acquisition		\$	2.10	p.s.f.	\$	1,829,520	@	\$	3.00	p.s.f.	\$	2,613,600
Due Diligence				Est.	\$	3,500				Est	\$	3,500
Site Preparation												
Demolition Costs				Est.	\$	500,000				Est.	\$	-
Remediation Cost Estimate				all	\$	900,000					\$	-
(Cost Per Square Foot)	@	\$		p.s.f.	_		@	\$	-	p.s.f.	\$.
Other Site Preparation	@	\$	2.00	p.s.f.	\$	1,742,400	@	\$	2.00	p.s.f.	\$	1,742,400
Off-set Costs: Construction / Remedy Overlap			0%		\$							
Brownfields 128a Assessment			0 %		\$ \$	(45,000)						
Brownfields Cleanup Grant					\$	(200,000)						
Brownfields Remediation Tax Credit					\$	(900,000)						
Historic Tax Preservation Credit			20%		\$	(1,324,224)						
Hard Costs (Construction)												
Building	@	\$	38	p.s.f.	\$	13,242,240	@	\$	38	p.s.f.	\$	13,242,240
Soft Costs												
Legal	@		0.55%		\$	72,832	@		0.25%		\$	33,106
Environmental Consultants	@	\$	0.050	p.s.f.	\$	43,560		\$	0.013	•	\$	11,326
Other Soft Costs (architect, planner, etc.)	@		10%		\$	1,324,224	@		10%		\$	1,324,224
Construction Loan/Carrying Costs	@		6%		\$	794,534	@		6%		\$	794,534
Total Development Cost (per building s.f.)					\$	17,983,587					\$ \$	19,764,930
(per building s.i.)					Ф	52					Ф	57
Market Dant*	@	¢.	F 00	NININI	· Γ	4 740 400	@	r.	F 00	NININI	Φ.	4 740 400
Market Rent* Vacancy	@	\$	5.00 10%	INININ	\$ \$	1,742,400 (174,240)		\$	5.00 10%	NNN	\$ \$	1,742,400 (174,240)
Security (pass through CAM) ⁺	@	\$		p.s.f.	э \$	(87,120)	ı	\$		p.s.f.	\$	(87,120)
Net Operation Income (NOI)		Ф	0.25	p.s.i.	φ \$	1,481,040	w	Ф	0.25	p.s.i.	\$	1,481,040
tion operation meems (i.e.)					Ψ	1,101,010					Ψ	1,101,010
Value (NOI/0.095)					\$	15,589,895					Ф	15,589,895
Loan to Value Ratio (loan amount) *	@		0.70		Ф \$	10,912,926	@		0.70			10,912,926
Loan Amount (annual debt service)	\sim	yea	ars @	7.0%		1,015,294	_	ye	ars @	7.0%		1,015,294
Debt Service Coverage Ratio		,	-			1.46		,	-		,	1.46
Before-Tax Cash Flow					\$	465,746					\$	465,746
Equity Requirement					\$	7,070,660					\$	8,852,003
Return on Equity						6.6%						5.3%



Notes:

p.s.f. = per square foot

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Impact Interest Rates



LOCOMOTIVE SHOPS		В	-	FIELD (EVELOI	-	MERCIAL IT		GR		IELD CO		MERCIAL NT
Lot Size (acres) Lot Total Square Feet Floor Area Ratio (FAR) or Density Building Area (total square feet) Number of owners prior to acquisition						20.0 871,200 0.40 348,480 1						20.0 871,200 0.40 348,480 1
Land Acquisition Due Diligence		\$	2.10	p.s.f. Est.	\$ \$	1,829,520 3,500	@	\$	3.00	p.s.f. Est	\$ \$	2,613,600 3,500
Site Preparation Demolition Costs Remediation Cost Estimate (Cost Per Square Foot) Other Site Preparation Off-set Costs: Construction / Remedy Overlap Brownfields 128a Assessment Brownfields Cleanup Grant Brownfields Remediation Tax Credit Historic Tax Preservation Credit Hard Costs (Construction)	@ @	\$ \$	2.00	Est. all p.s.f. p.s.f.	\$\$ \$ \$\$\$\$\$	500,000 900,000 1,742,400 - (45,000) (200,000) (900,000) (1,324,224)	@ @	\$ \$		Est. p.s.f. p.s.f.	\$ \$ \$ \$	- - - 1,742,400
Building Soft Costs Legal Environmental Consultants Other Soft Costs (architect, planner, etc.) Construction Loan/Carrying Costs Total Development Cost (per building s.f.)		\$	38 0.55% 0.050 10% 6%	p.s.f.	\$ \$ \$ \$ \$	72,832 43,560 1,324,224 794,534 17,983,587 52	0 0 0 0		38 0.25% 0.013 10% 6%	p.s.f.	\$ \$ \$ \$ \$	33,106 11,326 1,324,224 794,534 19,764,930 57
Market Rent* Vacancy Security (pass through CAM) [†] Net Operation Income (NOI)	@ @ @	\$	10%	NNN p.s.f.	\$ \$ \$	1,742,400 (174,240) (87,120) 1,481,040	@	\$	10%	NNN p.s.f.	\$ \$ \$	1,742,400 (174,240) (87,120) 1,481,040
Value (NOI/0.095) Loan to Value Ratio (loan amount) * Loan Amount (annual debt service) Debt Service Coverage Ratio Before-Tax Cash Flow Equity Requirement Return on Equity Notes:	@ 20	yea	0.70 ars @	8.0%	\$ \$ \$ \$ \$ \$	15,589,895 10,912,926 1,095,361 1.35 385,679 7,070,660 5.5%	@ 20	yea	0.70 ars @	7.0%	\$	15,589,895 10,912,926 1,015,294 1.46 465,746 8,852,003 5.3%

+ CAM = common area maintenance charge - costs included in CAM will be passed through to tenants

p.s.f. = per square foot

* NNN = triple net, i.e., tenant pays taxes, insurance and utilities

A word on your builder position and use of institutional controls ...

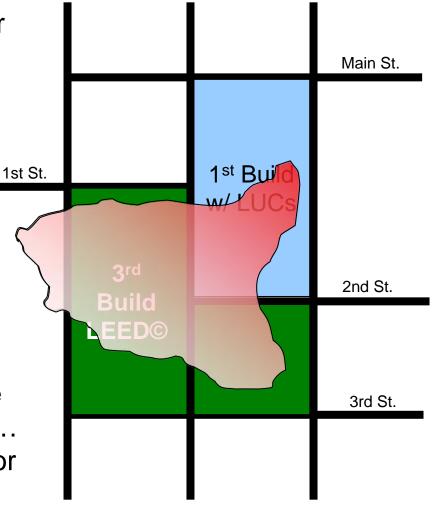


 Brownfields rebuild over time

1st Build Position is the initial restoration

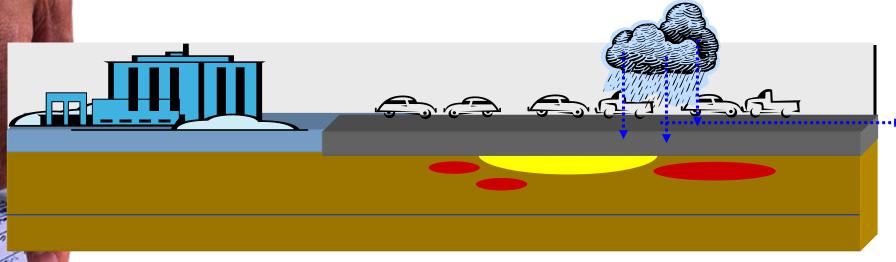
 2nd Build Position is an expansion of the initial reconstruction

 3rd Build Position will be fundamentally different ... in many cases, "green" or LEED building design.



The 1st Build Position LUCs' Highest Value to Developer





1st Build Position (Years 1 to 2)

- Primary redevelopment siting is optimal; you can pick where structures will have least exposure
- Typically largest discount on land prices
- The control is often designed to support the primary development concept
 - Parking lots as caps
 - Elevated construction fills in place prior to occupancy
- First market position of the redevelopment sees maximum leverage of the value of land use controls
 - First access to market for return on investment
 - Lowest LUC maintenance as part of revenue stream

LOCOMO	TIVE SHOPS		BR		TELD C		MERCIAL	G	iRE		ELD CO		MERCIAL
Floor Area Ratio (FA	AB) or Densitu				TEE-OI	1-12	0.40	Н			LEGI		0.40
Building Area (total s							348,480						348,480
Number of owners p							1						1
DEVELOPMENT C							'						
Land Acquisition	.0010		\$	120	p.s.f.	\$	1,045,440	0	\$	3.00	p.s.f.	\$	2,613,600
Due Diligence			*	1.20	Est.	\$	3,500			3.00	Est	\$	3,500
Site Preparation					La	Ψ.	0,000				LSC	Ψ	0,000
Demolition Costs					Est.	\$	500,000				Est.	\$	
Remediation Cost E	ctimate				all	\$	300,000				LSt.	\$	
(Cost Per Square F		@	\$		p.s.f.	•		@	\$		p.s.f.	\$	
Other Site Preparation		0	\$	2.00	p.s.f.	\$	1,742,400	@	\$		p.s.f.	\$	1,742,400
Off-set Costs:	,,,	9	•	2.00	p.s.r.	•	1,142,400			2.00	p.s.r.	•	1,142,400
Construction / R	amadıı Oyarlan			0%		\$							
Brownfields 128a				0/.			-	Н					
Brownfields Clea								Н					
	nediation Tax Credit							Н					
Historic Tax Pre													
Hard Costs (Construc													
Building	aon	@	\$	20	p.s.f.	\$	13,242,240	@	\$	38	p.s.f.	\$	13,242,240
Soft Costs		·	Ψ		p.s.i.		10,272,270	œ	Ψ.		p.s.i.	Ψ	10,272,270
Legal		@		0.35%		\$	46,348	ര		0.25%		\$	33,106
Environmental Cons	ultants	0	\$		p.s.f.	\$	43,560			0.013	nsf	\$	11,326
Other Soft Costs (ar		@	*	10%	p.s	\$	1,324,224	0	*	10%	p.s	\$	1,324,224
Construction Loan/0		0		6%		\$	794,534	_		6%		\$	794,534
	l Development Cost	-		٠,,		\$	18,742,246	_		٠,,		\$	19,764,930
100	(per building s.f.)					\$	54					\$	57
OPERATING COS						Ψ	34					Ψ	31
Market Bent"	(@	\$	5.00	NNN	\$	1,742,400	@	\$	5.00	NNN	\$	1,742,400
Vacancy		0	Ť	10%		\$	(174,240)		Ť	10%		\$	(174,240
Security (pass through	CAMI:	0	\$	0.25	nei	\$	(87,120)		\$		p.s.f.	\$	(87,120)
	ration Income (NOI)	9	*	0.20	p.s.r.	\$	1,481,040	<u>.</u>	*	0.20	p.s.r.	\$	1,481,040
FINANCING COST						¥	1,101,010					*	1,101,010
Value (NOI/0.095)	•					\$	15,589,895					\$	15,589,895
Loan to Value Ratio (Id	an amount) *	ര		0.70		\$	10,912,926	@		0.70		\$	10,912,926
Loan Amount (annual		_	lle a	rs@	7.0%	-	1,015,294		year		7.0%	\$	1,015,294
Debt Service Coverage		20	gea	12 @	1.07	Ψ	1.46	-	gear	2.6	1.07	Ψ	1,010,204
Before-Tax Cash Flow						2	465,746					\$	465,746
Equity Requirement						•	7,829,320					\$	8,852,003
	ount Dotum on	E ~		,		•	5.9%					*	5.3%
00 % Land Disci	ount - Return on	ĽΨ	uie	V		\$	(1,022,683)						

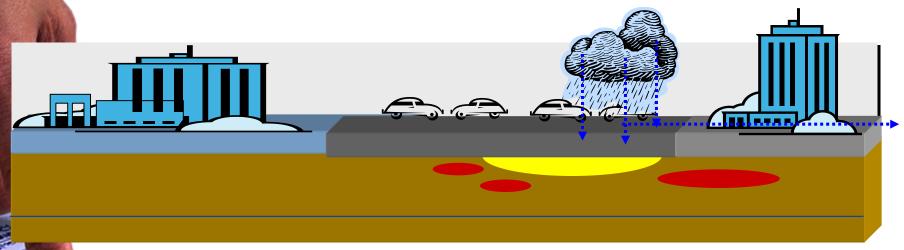


Land Use Controls Used In Lieu of Remedy

Effect on Pro forma

The 2nd Build Position Lessening LUC Value with Time





2nd Build Position (Years 3 to 10)

- Second phase or peripheral build out to primary redevelopment, 1st build has appreciated land values, but with LUCs some discounts on land prices may still be available
- Some limitations on design; no basements, no water use, parking lot must remain intact, soil can be moved
- Added cost as dollars and time to build; safety, soil & water management
- Exposures for construction shift, 1st Build is occupied and specialty cleanup contractors are not now integral to site preparation
- LU/IC maintenance a larger share of revenue stream, period of first failures

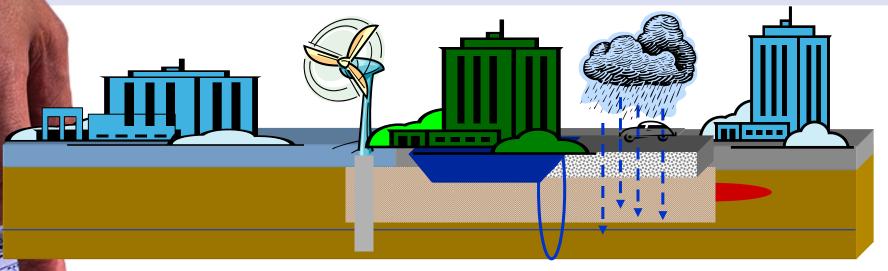
LOCOMOTIVE SHOPS		BR				MMERCIAL	G	ìRE				MERCIAL
	┡		DE	YELOR	PM		╙		DE	/ELOPI	ИΕΙ	
Floor Area Ratio (FAR) or Density	L					0.40	_					0.40
Building Area (total square feet)	L					348,480	_					348,480
Number of owners prior to acquisition						1						1
DEVELOPMENT COSTS												
Land Acquisition	L	\$	2.10	p.s.f.	\$	1,829,520	0	\$	3.00	p.s.f.	\$	2,613,600
Due Diligence				Est	\$	3,500				Est	\$	3,500
Site Preparation												
Demolition Costs				Est.	\$	500,000				Est.	\$	
Remediation Cost Estimate	L			all	\$	-					\$	
(Cost Per Square Foot)	@	\$	-	p.s.f.			@	\$	-	p.s.f.	\$	
Other Site Preparation	@	\$	2.00	p.s.f.	\$	1,742,400	@	\$	2.00	p.s.f.	\$	1,742,400
Off-set Costs:												
Construction / Remedy Overlap			0%		\$	-						
Brownfields 128a Assessment												
Brownfields Cleanup Grant												
Brownfields Remediation Tax Credit												
Historic Tax Preservation Credit												
Hard Costs (Construction)												
Building	@	\$	38	p.s.f.	\$	13,242,240	@	\$	38	p.s.f.	\$	13,242,240
Soft Costs												
Legal	@		0.35%		\$	46,348	@		0.25%		\$	33,106
Environmental Consultants	@	\$	0.050	p.s.f.	\$	43,560	@	\$	0.013	p.s.f.	\$	11,326
Other Soft Costs (architect, planner, etc.)	@		10%		\$	1,324,224	@		10%		\$	1,324,224
Construction Loan/Carrying Costs	@		6%		\$	794,534	@		6%		\$	794,534
Total Development Cost					\$	19,526,326					\$	19,764,930
(per building s.f.)					\$	56					\$	57
OPERATING COSTS (annual)					Ť						Ė	
Market Bent	@	\$	5.00	NNN	\$	1,742,400	0	\$	5.00	NNN	\$	1,742,400
Vacancy	@	*	10%	141414	\$	(174,240)	_	*	10%	101010	\$	(174,240
Security (pass through CAM)	<u>@</u>	\$		p.s.f.	\$	(87,120)		\$		p.s.f.	\$	(87,120
Net Operation Income (NOI)	w	4	0.23	p.s.r.	\$	1,481,040	w	4	0.23	p.s.r.	\$	1,481,040
FINANCING COSTS					Þ	1,401,040					÷	1,401,040
						45 500 005						45 500 005
Value (NOI/0.095)	_				\$	15,589,895	_		A = C		\$	15,589,895
Loan to Value Ratio (Ioan amount)	@		0.70		\$	10,912,926	@		0.70		\$	10,912,926
Loan Amount (annual debt service)	20	yea	rs@	7.0%	\$	1,015,294	20	year	rs@	7.0%	\$	1,015,294
Debt Service Coverage Ratio					١.	1.46						1.46
Before-Tax Cash Flow					*	465,746					\$	465,746
Equity Requirement	_				*			\			\$	8,852,003
30% Land Discount - Return on	Εq	uit	V I			5.4%)				5.3%
	Г.				\$			Ad	ded C	apital I	Vee	



Land Use Controls In Lieu of Remedy

Effect on Pro forma

The 3rd Build Position Collision of Good Intentions



3rd Build as Green/LEED (Years 10+)

- Property discounts are gone with 1st & 2nd Build, may be back to fair market value despite LUCs
- Although using a Brownfields site is an automatic 1 point in LEED, LUCs may no longer support vital construction concepts
 - · Green architecture, permeable pavements, green space
 - Water features
 - Subsurface uses to maximize land use
 - No storm water diversion
- LEED may require the cleanup that was not necessary in the earlier build and capital positions ... or technology to overcome hurdles

DEVELOPMENT DEVELOPMENT DEVELOPMENT	LOCOMOTIVE SHOPS		BR				MERCIAL	6	ìRE				MERCIAL
Lot Size (acres) Lot Total Square Feet		L		DE	YELOF	PME	NT			DE	/ELOPI	ИEI	VT
Lot Total Square Feet	GENERAL INFORMATION												
Floor Area Ratio (FAR) or Density		L					20.0						20
Building Area (total square feet) 348,480	Lot Total Square Feet	L					871,200						871,20
Number of owners prior to acquisition 1	Floor Area Ratio (FAR) or Density						0.40						0.4
Super Display	Building Area (total square feet)						348,480						348,48
Sample S	Number of owners prior to acquisition	L					1						
Discription Est \$ 3,500	DEVELOPMENT COSTS												
Site Preparation	Land Acquisition	П	\$	3.00	p.s.f.	₽	2,613,600	0	\$	3.00	p.s.f.	\$	2,613,60
Est. \$ \$ \$ \$ \$ \$ \$ \$ \$	Due Diligence				Est.	\$	3,500				Est	\$	3,50
Remediation Cost Estimate	Site Preparation												
Remediation Cost Estimate					Est.	\$	500,000				Est.	\$	
Other Site Preparation	Remediation Cost Estimate				all ((\$	900,000	D				\$	
Diff-set Costs:	(Cost Per Square Foot)	@	\$	1.03	p.s.f.			@	\$		p.s.f.	\$	
Construction / Remedy Overlap 0% \$ -	Other Site Preparation	@	\$	2.00	p.s.f.	\$	1,742,400	@	\$	2.00	p.s.f.	\$	1,742,40
Brownfields 128a Assessment Brownfields Cleanup Grant Brownfields Remediation Tax Credit Historic Tax Preservation Credit Historic Tax Preservation Credit Historic Tax Preservation Credit Hard Costs (Construction) Building © \$ 38 p.s.f. \$ 13,242,240 © \$ 38 p.s.f. \$ 13,242 Soft Costs	Off-set Costs:		Ė			Ė		_	Ė				
Brownfields 128a Assessment Brownfields Cleanup Grant Brownfields Remediation Tax Credit Historic Tax Preservation Credit Historic Tax Preservation Credit Historic Tax Preservation Credit Hard Costs (Construction) Building © \$ 38 p.s.f. \$ 13,242,240 © \$ 38 p.s.f. \$ 13,242 Soft Costs	Construction / Remedy Overlap			0%		\$							
Brownfields Remediation Tax Credit	•					Ė							
Brownfields Remediation Tax Credit													
Historic Tax Preservation Credit Hard Costs (Construction) Building © \$ 38 p.s.f. \$ 13,242,240 © \$ 38 p.s.f. \$ 13,242 Soft Costs Legal © 0.55% \$ 72,832 © 0.25% \$ 33 Environmental Consultants © \$ 0.050 p.s.f. \$ 43,560 © \$ 0.013 p.s.f. \$ 1,324 Construction Loan/Carrying Costs © 6% \$ 794,534 © 6% \$ 7													
Building													
Building	Hard Costs (Construction)												
Soft Costs Legal © 0.55% \$ 72,832 © 0.25% \$ 33 Environmental Consultants © \$ 0.050 p.s.f. \$ 43,560 © \$ 0.013 p.s.f. \$ 11 Other Soft Costs (architect, planner, etc.) © 10% \$ 1,324,224 © 10% \$ 1,324 Construction Loan/Carrying Costs © 6% \$ 794,534 © 6% \$ 794 Total Development Cost \$ 21,236,891 \$ 19,764 (per building s.f.) \$ 61 \$ OPERATING COSTS (annual) Market Rent* © \$ 5.00 NNN \$ 1,742,400 © \$ 5.00 NNN \$ 1,742 Vacancy © 10% \$ (174,240) © \$ 5.00 NNN \$ 1,481 Security (pass through CAM)* © \$ 0.25 p.s.f. \$ (87,120) © \$ 0.25 p.s.f. \$ (87 Net Operation Income (NOI) \$ 1,481,040 \$ 1,481 \$ 1,481 \$ 1,481 FINANCING COSTS \$ 0.70 \$ 10,912,926 © 0.70 \$ 10,912 Loan Amount (annual debt service) 20 years @ 7.0% \$ 1,015,294 <		ര	\$	38	p.s.f.	\$	13.242.240	ര	\$	38	p.s.f.	\$	13.242.24
Legal	•	_	Ť		F	1	11,212,211	_	Ť		FILL	_	,
Environmental Consultants		ത		0.55%		\$	72.832	ര		0.25%		\$	33,1
Other Soft Costs (architect, planner, etc.) @ 10% \$ 1,324,224 @ 10% \$ 1,324, 224 Construction Loan/Carrying Costs @ 6% \$ 794,534 @ 6% \$ 794, 594 Total Development Cost (per building s.f.) \$ 21,236,891 \$ 19,764 OPERATING COSTS (annual) Market Rent* @ \$ 5.00 NNN \$ 1,742,400 @ \$ 0.25 p.s.f. \$ (87,120) \$ 1,481,040 \$ 1,481 \$ 1,481,040 \$ 1,481 \$ 1,481,040 \$ 1,481 \$ 1,481 \$ 1,481 \$ 1,481 \$ 1,481 \$ 1,481 \$ 1,589,895 \$ 15,589,895 \$ 15,589,895 \$ 15,589,895 \$ 15,589,895 \$ 10,912,926 \$ 0,70 \$ 10,912,926 \$ 0,70 \$ 10,912,926		_	\$		p.s.f.	-		_	\$			-	11,33
Construction Loan/Carrying Costs		_	Ť		F			_	Ť		F	_	1.324.22
\$ 21,236,891 \$ 19,764		_		6%		-		à		6%		-	794,5
(per building s.f.) \$ 61 \$ OPERATING COSTS (annual) Market Rent* ② \$ 5.00 NNN \$ 1,742,400 ② \$ 5.00 NNN \$ 1,742 Vacancy ② 10½ \$ (174,240) ② 10½ \$ (174,240) Security (pass through CAM)* ② \$ 0.25 p.s.f. \$ (87,120) ② \$ 0.25 p.s.f. \$ (87,120) Net Operation Income (NOI) \$ 1,481,040 FINANCING COSTS \$ 15,589,895 \$ 15,589 Value (NOI/0.095) \$ 10,912,926 ② 0.70 \$ 10,912,926 Loan to Value Ratio (loan amount)* ② 0.70 \$ 10,912,926 ② 0.70 \$ 10,912 Loan Amount (annual debt service) 20 years ② 7.0½ \$ 1,015,294 20 years ② 7.0½ \$ 1,015 \$ 465,746 \$ 465 Before-Tax Cash Flow \$ 465,746 \$ 465 \$ 3,852		_						_					19,764,9
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Market Rent* ② \$ 5.00 NNN \$ 1,742,400 ② \$ 5.00 NNN \$ 1,742 Vacancy ③ 10% \$ (174,240) ② 10% \$ (174,240) Security (pass through CAM)* ③ \$ 0.25 p.s.f. \$ (87,120) ② \$ 0.25 p.s.f. \$ (87,120) ② \$ 0.25 p.s.f. \$ (87,120) ② \$ 0.25 p.s.f. \$ (87,120) ② \$ 0.25 p.s.f. \$ (87,120) ② \$ 0.25 p.s.f. \$ (87,120) ② \$ 0.25 p.s.f. \$ (87,120) ② \$ 0.25 p.s.f. \$ (87,120) ② \$ 0.25 p.s.f. \$ (87,120) ② \$ 0.25 p.s.f. \$ (87,120) ② \$ 0.25 p.s.f. \$ (87,120) ② \$ 0.25 p.s.f. \$ (87,120) ② \$ 0.25 p.s.f. \$ (87,120) ② \$ 0.25 p.s.f. \$ (87,120) ② \$ 0.25 p.s.f. \$ (87,120) ② \$ 0.25 p.s.f. \$ (87,120) ② \$ 0.25 p.s.f. \$ (87,120) ② \$ 0.25 p.s.f. \$ (87,120) ② \$ 0.25 p.s.f. \$ (87,120) ② \$ 0.25 p.s.f. \$ (87,120) ③ \$ 0.25 p.s.f. \$ (87,120) ③ \$ 0.25 p.s.f. \$ (87,120) ③ \$ 0.25 p.s.f. \$ (87,120) ③ \$ 0.25 p.s.f. \$ (87,120) ③ \$ 0.25 p.s.f. \$ (87,120) ③ \$ 0.25 p.s.f. \$ (87,120) ③ \$ 0.25 p.s.f. \$ (87,120) ③ \$ 0.25 p.s.f. \$ (87,120) ③ \$ 0.25 p.s.f. \$ (87,120) ③ \$ 0.25 p.s.f. \$ (87,120) ③ \$ 0.25 p.s.f. \$ (87,120) ③ \$ 0.25 p.s.f. \$ (87,120) ③ \$ 0.25 p.s.f. \$ (87,120) ③ \$ 0.25 p.s.f. \$ (87,120) ③ \$ 0.25 p.s.f. \$ (87,120) ③ \$ 0.25 p.s.f. \$ (87,120) ③ \$ 0.25 p.s.f. \$ (87,120) ③ \$ 0.25 p.s.f. \$ (87,120) ④ \$ 0.25 p.s.f. \$ (87,120) ④ \$ 0.25 p.s.f. <td></td> <td></td> <td></td> <td></td> <td></td> <td>Ψ</td> <td>01</td> <td></td> <td></td> <td></td> <td></td> <td>Ψ</td> <td>•</td>						Ψ	01					Ψ	•
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Security (pass through CAM)* © \$ 0.25 p.s.f. \$ (87,120) © \$ 0.25 p.s.f. \$ (87 Net Operation Income (NOI) \$ 1,481,040 \$ 1,481 FINANCING COSTS Value (NOI/0.095) \$ 15,589,895 \$ 15,589 Loan to Value Ratio (loan amount)* © 0.70 \$ 10,912,926 © 0.70 \$ 10,912 Loan Amount (annual debt service) 20 years @ 7.0% \$ 1,015,294 20 years @ 7.0% \$ 1,015 Debt Service Coverage Ratio \$ 465,746 \$ 465 \$ 465 Equity Requirement \$ 10,323,964 \$ 8,852		_	*		IMMM			_	*		INININ	_	
Net Operation Income (NOI) \$ 1,481,040 \$ 1,481	•	_				-		_				-	_ ` .
FINANCING COSTS Value (NOI/0.095) \$ 15,589,895 \$ 15,589 Loan to Value Ratio (loan amount)* @ 0.70 \$ 10,912,926 @ 0.70 \$ 10,912 Loan Amount (annual debt service) 20 years @ 7.0% \$ 1,015,294 20 years @ 7.0% \$ 1,015 Debt Service Coverage Ratio 146 \$ 465,746 \$ 465 Equity Requirement \$ 10,323,964 \$ 3,852		@	\$	0.25	p.s.f.			@	\$	0.25	p.s.f.	-	(87,13
Value (NOI/0.095) \$ 15,589,895 \$ 15,589 Loan to Value Ratio (loan amount)* © 0.70 \$ 10,912,926 © 0.70 \$ 10,912 Loan Amount (annual debt service) 20 years 7.0% \$ 1,015,294 20 years 7.0% \$ 1,015 Debt Service Coverage Ratio 146 \$ 465,746 \$ 465 \$ 465 Equity Requirement \$ 10,323,964 \$ 3,852						\$	1,481,040					\$	1,481,04
Loan to Value Ratio (loan amount)* @ 0.70 \$ 10,912,926 @ 0.70 \$ 10,912 Loan Amount (annual debt service) 20 years @ 7.0% \$ 1,015,294 20 years @ 7.0% \$ 1,015 Debt Service Coverage Ratio 146 \$ 465,746 \$ 465 Before-Tax Cash Flow \$ 465,746 \$ 465 Equity Requirement \$ 10,323,964 \$ 3,852													
Loan Amount (annual debt service) 20 years @ 7.0% \$ 1,015,294 20 years @ 7.0% \$ 1,015 Debt Service Coverage Ratio 146 Before-Tax Cash Flow \$ 465,746 \$ 465 Equity Requirement \$ 10,323,964 \$ 852		\Box				\$						\$	15,589,83
Debt Service Coverage Ratio 146 Before-Tax Cash Flow \$ 465,746 \$ 465 Equity Requirement \$ 10,323,964 \$ 8,852	Loan to Value Ratio (Ioan amount) *	@		0.70		\$	10,912,926	_				\$	10,912,93
Before-Tax Cash Flow \$ 465,746 \$ 465 Equity Requirement \$ 10,323,964 ♦ 8,852	Loan Amount (annual debt service)	20	yea	rs@	7.0%	\$		20	yea	rs@	7.0%	\$	1,015,23
Equity Requirement \$ 10,323,964 \$ 5,852							146						1.4
	Before-Tax Cash Flow					\$						\$	465,7
No Land Discount Deturn on Pruits 45%	Equity Requirement	L				\$	10,323,964					Ψ	8,852,0
	No Land Discount - Return on E	1,,,,	itv				4.5%						5.3



Remedy to implement Green/ LEED Designs

Effect on Pro forma

→ \$1,472,000

The Results



- You will now have ~2 hours to conduct the assignment.
- We'll then come around and save the results to a flash-drive for group viewing and discussion.
- Each team will be asked to explain the steps and decisions made, clearly stating the assumptions that were made at each step, in a presentation at the end of the exercise.
- Following the assignment, each team will receive a copy of the spreadsheet as well as each team's solution to financing the brownfield development.

EXERCISE #5 (Agenda Item #27) Pro Forma Analysis

Exercise Directions:

- 1. Divide into your teams and sit at one of the computer stations.
- 2. Each team will work on the project site that you visited on Tuesday. Read the description and insert the numbers provided into the excel spreadsheet on the computer. You will notice that the return on equity for the project is quite low especially in comparison to the Greenfield development.
- 3. The exercise is to try to use the government programs and your negotiation skills to develop a financing package for the site. The goal is to try to equate the Greenfield return on equity to as close as possible or higher a number.
- 4. You will now have the rest of the afternoon to conduct the assignment. Many of the numbers in the spreadsheet can be changed including the interest rate for the loan, the amount of the remediation, the land acquisition, developer's fee, etc. Use your best judgment to develop the financing package.
- 5. Each team will be asked to explain the steps and decisions made, clearly stating the assumptions that were made at each step, in a presentation at the end of the exercise. In this exercise, we are looking for the teams to use the knowledge learned about financing brownfields and to think creatively about how to mix local, state and federal financing.
- 6. We will have a report out at the end of the day. You will also be expected to incorporate this analysis into your overall presentation on Friday.

Brownfield Nuts & Bolts Training Exercise #5 Sources of Financing

Decision Taken	State, Federal or Local Program Used	Amount of Funds/Effect of Decision